

## Message Text

UNCLASSIFIED

PAGE 01 MANAGU 03312 01 OF 02 031540Z

46

ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-03 AGR-20 PRS-01 PA-03 USIA-15 EUR-25 RSR-01 /196 W  
----- 000122

R 031330Z AUG 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2145

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

UNCLAS SECTION 1 OF 2 MANAGUA 3312

GUATEMALA ALSO FOR ROCAP

SAN SALVADOR ALSO FOR AGATT

E.O. 11652: N/A

TAGS: EGEN, NU

SUBJECT: ECONOMIC/COMMERCIAL HIGHLIGHTS-

JULY 16-31, 1973- CERP UNSCHEDULED REPORT

BEGIN SUMMARY: GON SIGNED \$10 MILLION LOAN BRINGING  
TOTAL NEW MONEY PLUS ROLLOVERS FROM COMMERCIAL BANKS TO \$95  
MILLION SINCE EARTHQUAKE. END OF STRIKE BRINGS SPURT IN  
CONSTRUCTION WORK. MGON ENCOURAGES INCREASED PLAN-  
TINGS OF BASIC GRAINS WHILE FARMERS PLANT MORE  
COTTON, SPECIAL LAW ALLOWS TAX WRITEOFFS FOR EARTH-  
QUAKE RELATED LOSSES TO BE EXTENDED OVER FIVE YEARS,  
COFFEE EXPORTS NEARLY DOUBLE, SECOND SOMOZA SON GOES  
INTO BUSINESS. END SUMMARY.

1. GON SIGNS NEW COMMERCIAL LOANS:

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MANAGU 03312 01 OF 02 031540Z

A. GENERAL SOMOZA, AS PRESIDENT OF THE NATIONAL EMERGENCY COMMITTEE, AND ACTING FINANCE MINISTER, GENERAL CESAR BORGE SIGNED A \$10 MILLION LOAN AGREEMENT JULY 27, WITH A JAPANESE CONSORTIUM LED BY THE SANWA BANK. ACCORDING TO THE PRO-GOVERNMENT NOVEDADES JULY 28, THE LOAN IS FOR 15 YEARS, WITH FOUR YEARS OF GRACE AND AT AN UNSPECIFIED FIXED INTEREST RATE. THE PAPER ADDS THAT THE LOAN IS "MORE THAN UNITED", SINCE IT CONTAINS A PROVISION THAT THE MONEY CANNOT BE SPENT IN JAPAN. THE LOAN, WHICH WAS NEGOTIATED THROUGH THE ULTRAMAR BANKING CORP. OF LONDON AND MADRID, WILL BE ADMINISTERED BY THE NATIONAL BANK, WITH \$5 MILLION REPORTEDLY GOING TO INCREASE LIVESTOCK PRODUCTION AND \$5 MILLION FOR IRRIGATION PROGRAMS IN TIPI-TAPA AND CHONTALES. THIS LOAN BRINGS THE TOTAL OF NEW MONEY PLUS ROLLOVERS FROM COMMERCIAL BANKING SOURCES TO THE GON TO \$95 MILLION SINCE THE EARTHQUAKE. THE AMBASSADOR HAS LEARNED THAT ULTRAMAR IS IN THE FINAL STAGES OF ARRANGING AN ADDITIONAL \$10 MILLION,

TEN YEAR LOAN FROM A CONSORTIUM OF FRENCH BANKS FOR INFONAC, THE NATIONAL DEVELOPMENT INSTITUTE, TO USE FOR FURTHER LIVESTOCK EXPANSION.

B. COMMENT: THE LOCAL BUSINESS COMMUNITY IS BEGINNING TO EXPRESS CONCERN OVER THE GROWING INDEBTEDNESS OF THE GON TO COMMERCIAL BANKS. THE WIDELY READ AND RESPECTED NEWLETTER OF INDESA, OF THE BANCO NICARAGUENSE FINANCIAL GROUP, COMPLAINED AUGUST 1 OF "QUESTIONABLE, RISKY AND COSTLY" LOANS FROM "PHANTOM BRIEFCASE BANKERS", WHO, IT ALLEGES, CHARGE USURIOUS INTEREST RATES AND COLLECT "JUICY COMMISSIONS". END COMMENT.

## 2. CONSTRUCTION ACTIVITY SPURTS.

A. MONTHS OF SITE PREPARATION AND THE ENDING OF THE FIVE AND A HALF WEEK CONSTRUCTION STRIKE, DURING WHICH TIME PLANNING FOR NEW BUILDINGS WENT FORWARD AND DEMAND BUILT UP, SEEM TO HAVE BROUGHT CONSTRUCTION TO A TAKE-OFF POINT. SINCE THE WORKERS WENT BACK ON THE JOB JULY 23.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MANAGU 03312 01 OF 02 031540Z

NEW STEEL-FRAME BUILDINGS HAVE BEEN RISING THROUGHOUT THE OUTSKIRTS OF MANAGUA.

B. AMONG THE NEW BUILDINGS ARE TWO NEW SHOPPING CENTRES. THE SAN FRANCISCO CENTRE, THE MOST AMBITIOUS YET TO BE ANNOUNCED, WILL HAVE 200 STORES OF ALL TYPES, A MOVIE THEATRE, AND PARKING FOR 300 CARS, INCLUDING 150 UNDERGROUND. ITS CONSTRUCTION ON ABOUT SIX ACRES

ON THE MASAYA HIGHWAY NEXT TO THE EXISTING LA COLONIA SHOPPING CENTRE, ADDS FURTHER TO THE CONCENTRATION OF COMMERCIAL ACTIVITY IN THIS AREA (SEE MANAGUA 3124). THE SMALLER NEJAPA CENTRE IS BEING CONSTRUCTED ABOUT ONE KILOMETER FROM THE WEST END OF THE BY PASS.

C. COMMENT: THESE SHOPPING CENTRES ARE ALL DESIGNED TO SERVE A RATHER NUMERICALLY LIMITED AUTOMOBILE-OWNING PUBLIC. IT IS AN OPEN QUESTION AS TO WHETHER THIS GROUP WILL SPEND ENOUGH TO MAKE ALL OF THESE CENTRES VIABLE. END COMMENT.

3. PLANTING OF BASIC GRAINS ENCOURAGED WHILE COTTON PLANTINGS RISE SPONTANEOUSLY.

A. THE BANCO NACIONAL, IN SUPPORT OF THE GON'S POLICY OF ENCOURAGING INCREASED PLANTINGS OF BASIC GRAINS, (CORN, BEANS AND SORGHUM), ANNOUNCED JULY 19 A PROGRAM OF CREDIT INCENTIVES. IT INCLUDES LOANS AT ANNUAL INTEREST RATES OF 8 PERCENT FOR SMALL FARMERS AND SLIGHTLY HIGHER FOR MEDIUM AND LARGE FARMERS; FLEXIBLE TERMS OF REPAYMENT; YIELDS AS COLLATERAL; AND, IN COOPERATION WITH INCEI, MINIMUM PRICE GUARANTEES.

B. THE GON BEGAN ITS PROGRAM IN JUNE, WHEN IT PUBLISHED A LETTER TO THE MINISTER OF FINANCE FROM USAID DIRECTOR CULBERTSON. THE LETTER DESCRIBED THE WORLDWIDE SCARCITY OF GRAINS, AND ENCOURAGED THE GON TO TAKE MEASURES TO INCREASE NICARAGUA'S OWN PRODUCTION AND THEREBY REDUCE OR ELIMINATE ITS NEED FOR IMPORTS. A FEW DAYS LATER, INCEI ANNOUNCED INCREASED MINIMUM GUARANTEED PRICES FOR CORN, BEANS, RICE AND SORGHUM.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 MANAGU 03312 01 OF 02 031540Z

C. MEANWHILE, ACCORDING TO GENERAL RODRIGUEZ SOMOZA, EXECUTIVE SECRETARY OF THE NATIONAL COTTON COMMISSION, COTTON GROWERS, RESPONDING TO RECORD WORLD PRICES, MAY PLANT A TOTAL OF 250,000 MANZANAS THIS YEAR. THIS COMPARES TO 200,000 LAST YEAR AND EXCEEDS BY 10,000 MANZANAS THE AMOUNT OF LAND CONSIDERED QUOTE APT END QUOTE FOR COTTON GROWING. SORGHUM IS OF PLANTED IN SEPTEMBER ON UNUTILIZED COTTON LAND. FURTHERMORE, THE ADDITIONAL 50,000 MANZANAS OF COTTON WILL COMPETE WITH ALL CROPS FOR OTHER INPUTS, SUCH AS LABOR, FERTILIZER AND INSECTICIDES. IT THEREFORE APPEARS UNLIKELY THAT A LARGE INCREASE IN PLANTINGS OF BASIC GRAINS CAN ALSO BE REALIZED .  
SHELTON

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 MANAGU 03312 02 OF 02 031900Z

46

ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 NSC-10 SS-15 STR-08

CEA-02 L-03 H-03 PRS-01 PA-03 USIA-15 EUR-25 RSR-01

/196 W

----- 002087

R 031330Z AUG 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2146

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

UNCLAS FINAL SECTION OF 2 MANAGUA 3312

4. TAX WRITE OFFS OF EARTHQUAKE LOSSES EXTENDED TO FIVE YEARS.

THE NATIONAL ASSEMBLY ON JULYHAWT APPROVED AN AMENDMENT  
TO THE INCOME TAX LAW THAT WILL LOSSES INCURRED  
AS A RESULT OF THE EARTHQUAKE TO BE WRITTEN OFF AGAINST  
INCOME OVER A FIVE YEAR PERIOD. NORMALLY, LOSS  
CAN

ONLY BE CARRIED TWO YEARS. THE NEW FORMULA ALLOWS  
30 PERCENT OF EARTHQUAKE LOSSES TO BE DEDUCTED THE  
FIRST YEAR, FOLLOWED BY 25 PERCENT THE SECOND YEAR,  
20 PERCENT THE THIRD, 15 PERCENT THE FOURTH AND  
TEN PERCENT THE FIFTH. THE NEW MEASURE ASSISTS  
INDIVIDUALS AS WELL AS BUSINESSES, SINCE BOTH ARE TAXED  
UNDER THE SAME LAW AND AT THE SAME RATES.

5. COFFEE EXPORTS UP. ACCORDING TO DATA FROM  
THE NICARAGUAN COFFEE INSTITUTE, THE VOLUME OF GREEN  
COFFEE EXPORTS FOR THE FIRST SIX MONTHS OF THIS  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MANAGU 03312 02 OF 02 031900Z

YEAR NEARLY EQUALED THAT FOR ALL TWELVE MONTHS OF 1972. MOST OF THIS YEAR'S INCREASE CAME IN JANUARY, FEBRUARY AND MARCH, WHEN CARRYOVER STOCKS WERE SOLD AT EXCEPTIONALLY HIGH PRICE LEVELS. SINCE APRIL, EXPORTS HAVE BEEN AT MORE TRADITIONAL LEVELS. THE TOTAL FOR 1972 WAS 578,101 KILO BAGS, VERSUS 544,071 IN THE FIRST HALF OF 1973.

6. JULIO SOMOZA GOES INTO BUSINESS. ON JUNE 23 A NEW FIRM WAS INCORPORATED, MANISA, WHOSE MAJOR STOCKHOLDER IS JULIO SOMOZA PORTOCARRERO, 19, SECOND SON OF YRVNERAL SOMOZA. ACCORDING TO ARTICLES OF INCORPORATION, THE FIRM, WHICH WAS CREATED WITH AN INITIAL CAPITAL OF ONLY 11,000 CORDOBAS (1,439 DOLLARS),QUOTE, WILL DEDICATE ITSELF TO OPERATIONS, TRANSCATIONS, BARTER AND EXCHANGES OF COMMERCIAL ARTICLES..., LARGE AND SMALL COMMERCIAL OPERATIONS, IMPORT AND EXPORT..., TO AGENCIES, COMMISSIONS AND REPRESENTATIONS, PURCHASES AND SALES OF PROPERTY AND REAL ESTATE, AND ESPECIALLY MARKETING OF PRODUCTS SUCH AS BEEF AND PORK MEAT AND THEIR DERIVATIVES, PURCHASES AND SALE OF GRAINS, TEXTILES IN GENERAL AND ALL GOODS SUSCEPTIBLE TO COMMERCE. END QUOTE. YOUNG SOMOZA, A WEST POINT PLEBE, APPEARS TO HAVE INHERITED SOME OF HIS FATHER'S ENTREPRENEURIAL INSTINCT.

7. SHORTS.

A. FIRST NEW BUILDING WITHIN THE "CERCADA". TELGR (TELEPHONE AND POSTAL SERVICE). HAS ANNOUNCED PLANS TO CONSTRUCT THE FIRST NEW PERMANENT BUILDING WITHIN THE BARBED WIRE DOWNTOWN. THE TWO-STORY BUILDING, WHICH WILL HOUSE NEAEQUIPMENT FOR AUTOMATIC INTERNATIONAL CALLS IS EXPECTED TO BE COMPLETED IN THREE MONTHS.

B. NEW MONEY. BEGINNING AUGUST FIRST, THE BANCO CENTRAL ULL INTRODUCE A NEW COIN WITH A FACE VALUE OF ONE CORDOBA. THE COIN WILL REPLACE PAPER ONE CORDOBA NOTES, WHICH WILL BE RETIRED OVER A THREE MONTH PERIOD.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MANAGU 03312 02 OF 02 031900Z

C. GON LOAN TO CENTRO DE COMPRAS. THE PRESIDENT OF THE CHAMBER OF COMMERCE INFORMED US THAT THE GON

HAD AGREED TO MAKE AVAILABLE 200,000 CORDOBA LOAN FOR  
THE CONSTRUCTION OF ROOFS OVER PEDESTRIAN WALKS CONNECTING  
THE SHOPPING CENTRE'S THREE BUILDINGS.  
SHELTON

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 AUG 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973MANAGU03312  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** MANAGUA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730859/aaaabrpn.tel  
**Line Count:** 281  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** thigpegh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 SEP 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07-Sep-2001 by reddocgw>; APPROVED <21 FEB 2002 by thigpegh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONOMIC/COMMERCIAL HIGHLIGHTS- JULY 16-31, 1973- CERP UNSCHEDULED REPORT  
**TAGS:** EGEN, NU  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005